



## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

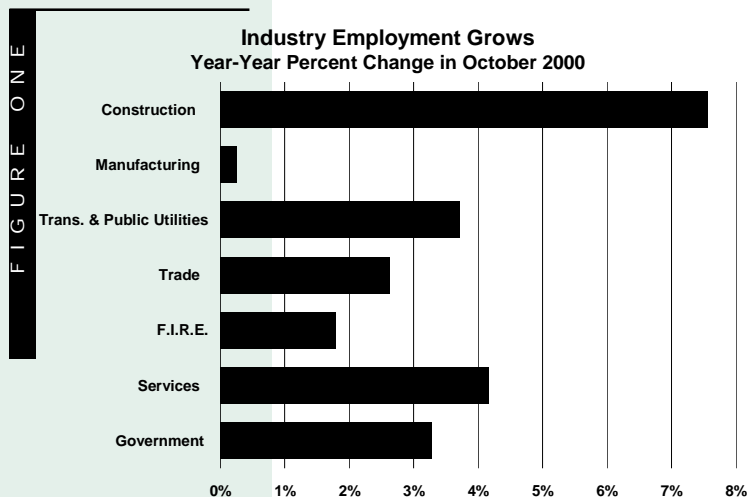
**D**espite troubling energy news, California's economy is still growing at a creditable pace—well above the pace for the nation as a whole. Employment growth is strong, construction activity is up from the comparable period last year, and exports also continue to expand.

### EMPLOYMENT

Nonfarm employment increased by 29,200 in November, following a large 45,000 gain in October. California accounted for almost a third of the entire nation's 94,000 nonfarm employment increase in November. Over the first 11 months of 2000, nonfarm employment increased an average of 35,700 jobs per month. The average monthly increase in 1999 was 30,900.

All major industry sectors reported gains in November. Government led this gain by adding 8,300 jobs, most of them in public schools. Services followed by adding 7,400 jobs. Business services accounted for the lion's share of service sector growth, driven by gains in computer programming employment. Engineering and management services, social services, and health services also posted sizable gains.

Manufacturing added 4,600 jobs in November with expansion in both durable and nondurable sectors. Reflecting recent export growth (see below) instruments and related products, and electronic equipment made significant contributions to durable manufacturing growth, adding 800 and 500 jobs respectively. Fabricated metal products also posted notable gains. Nondurable manufacturing added 3,000 jobs in November based upon a 3,600 job expansion in food and kindred products manufacturing.



On a year-over-year basis, California nonfarm employment grew by 443,300 or 3.1 percent in November. Services added the most new jobs, 185,100 for a 4.2 percent rate of growth. Construction was the fastest growing major industry sector, expanding by 7.6 percent over the year. Trade added 84,700 jobs over the year based on large gains in eating and drinking places and general merchandise store employment.

Exploring California's Employment Situation .....	4
Economic Indicator Tables .....	7
Economic Indicator Charts .....	10
Chronology .....	14

## BUILDING ACTIVITY

### HOME BUILDING SLOWS BUT IS UP FROM 1999

California's unemployment rate—estimated from a small sample of households—was unchanged at 4.8 percent in November. The October rate was initially reported at 4.7 percent but was subsequently revised up one-tenth of a percent. The Los Angeles metropolitan area jobless rate made a notable drop of one-half of a percentage point in November to 5.0 percent.

**B**uilding activity weakened in October with month-to-month declines in both residential and nonresidential sectors. Both sectors are up over the year however.

Residential construction activity, measured by permitted units, slowed for the second month in a row in October but was still stronger than at the same time a year ago. New home construction permits eased to a seasonally adjusted annual rate of 132,600 units—down slightly from September's 133,100-unit pace.

Over the year, however, residential construction in October was up 3.6 percent. The residential growth was mixed, with a sharp rise in single-family home construction—up 19 percent over the year—more than making up for a 34.4 percent drop in the volatile multifamily sector

On a year-to-date basis, residential construction permits during the first ten months of 2000 were up 4.5 percent over the same period of 1999. Despite the drop in October, multiple-unit construction expanded by 11.4 percent on a year-to-date comparison. Major multi-family construction gains were recorded in Los Angeles, Orange, San Mateo, Placer, and San Bernardino counties.

Nonresidential construction, measured by permit values, dropped 18 percent in October from September—led by declines in office and industrial building, hotel and motel, and parking garage construction. Overall, nonresidential construction in October was down just over 1 percent from a year ago.

However, year-to-date nonresidential construction is up strongly over 1999. An office-building boom in the San Francisco Bay area during the first 10 months of 2000 pushed statewide nonresidential construction up more than 11 percent over the comparable period in 1999. Office building construction statewide grew over 55 percent with San Francisco Bay area construction more than doubling. Most of this growth occurred in Santa Clara and San Mateo counties.

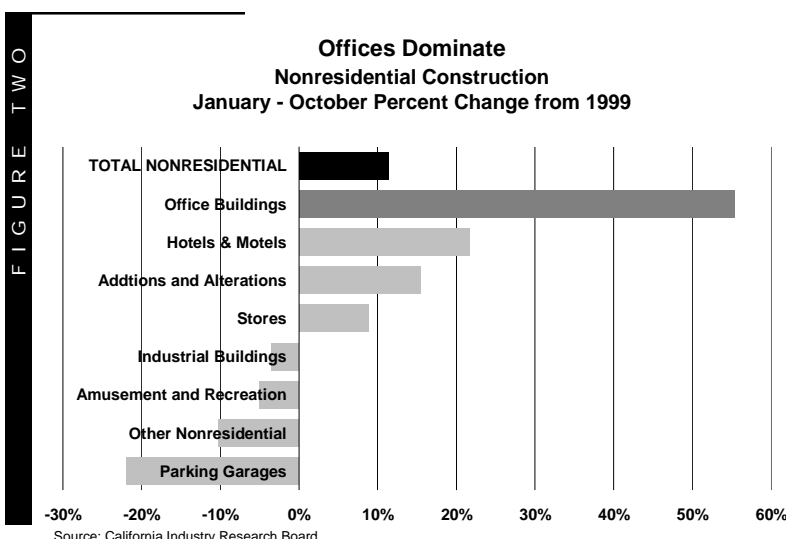


FIGURE THREE

# Strong Growth in the S.F. Bay Area

Value of Nonresidential Permits - January to October

MSA	\$ Millions		% Change
	1999	2000	
<b>San Francisco Bay Area</b>			
Oakland	1,070.6	1,277.3	19.3%
San Francisco	1,139.6	1,872.6	64.3%
San Jose	1,522.7	2,156.7	41.6%
<b>Southern California</b>			
Los Angeles-Long Beach	2,936.4	2,805.8	-4.4%
Orange County	1,345.0	1,502.1	11.7%
Riverside-San Bernadino	1,088.5	1,273.4	17.0%
San Diego	1,097.8	1,182.5	7.7%
<b>Central Valley</b>			
Fresno	281.4	282.0	0.2%
Sacramento	804.5	641.9	-20.2%
Stockton-Lodi	235.1	270.6	15.1%
<b>CALIFORNIA TOTAL</b>	<b>13,753.9</b>	<b>15,321.5</b>	<b>11.4%</b>

Source: California Industry Research Board

## REAL ESTATE

Falling home mortgage rates are sustaining home demand, but limited inventories continue to constrain existing home sales and, as a consequence, are pushing prices higher. A tight housing market pushed the October 2000 statewide median price of a single-family home up to \$252,500—a 17 percent increase from a year ago. Home sales dipped slightly in October to an annual rate of 548,200 units, essentially equal to the October 1999

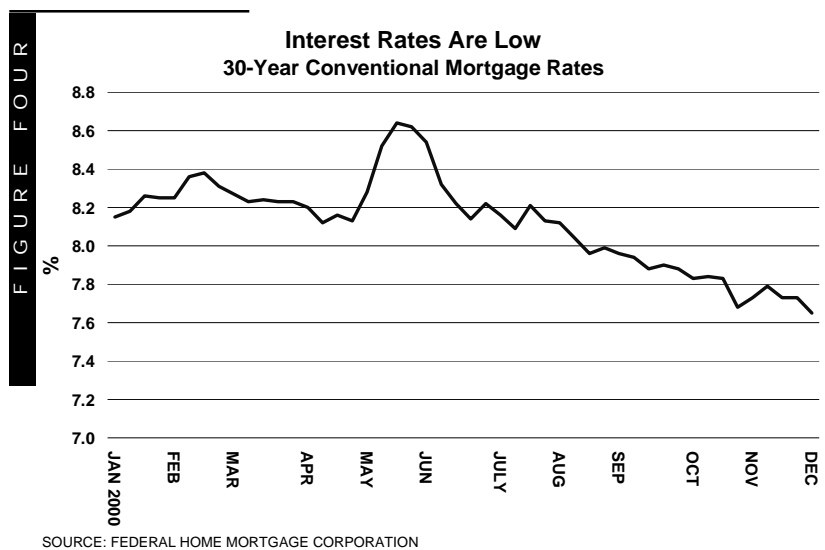
sales rate. The San Francisco Bay Area continues to record the state's highest home prices. The median price of a single-family home climbed to \$530,000 in Santa Clara County (Silicon Valley)—a 34 percent year-over-year increase.

These prices are indicative of a historically tight housing market. According to the California Association of Realtors, the average time it took to sell a house in California during 2000 was only four weeks. This is half the eight-week 1999 average and the shortest average time recorded since 1989.

Since peaking at mid-year home mortgage interest rates have fallen steadily. In May, 30-year conventional mortgage interest rates peaked at 8.64 percent. By the beginning of December the average rate had dropped to 7.65 percent. At least one major California lender has offered rates as low as 7.00 percent.

Despite lower mortgage rates, housing affordability in California fell to 30 percent in October, down 7 percentage points from October 1999 according to the California Association of Realtors. The affordability index measures the percentage of households that can afford to purchase a median-priced home. Nationwide, affordability has dropped only 1 percentage point over the year, from 55 to 54 percent.

The least affordable county in California is San Francisco at 11 percent, followed by Contra Costa and San Mateo counties at 13 percent. Southern California is significantly more affordable but still far below the national average. Los Angeles County's affordability is 35 percent followed by Ventura County at 31 percent, Orange County at 28 percent, and San Diego County at 23 percent.



## FALLING INTEREST RATES

— . . . —

## AFFORDABILITY WORSENS

— . . . —

## FIGURE FIVE

### Inflation Increases California's Consumer Price Index Year-to-Year Percent Change

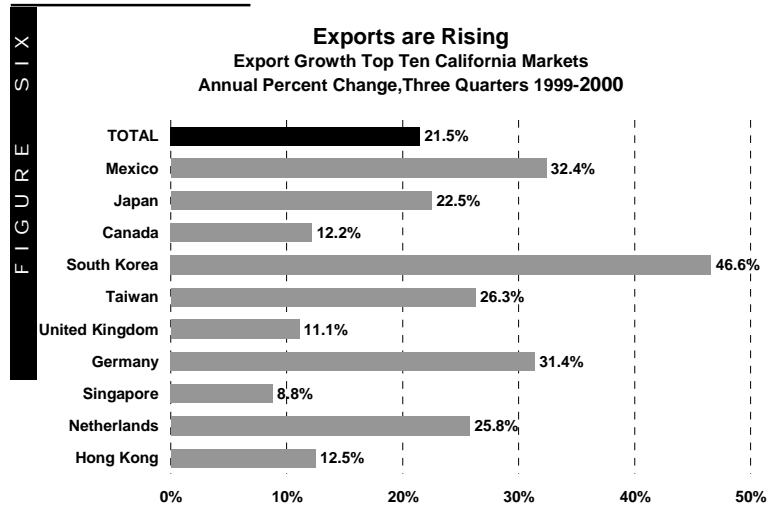
	December 1999	October 2000
<b>California CPI-U</b>	3.0%	4.2%
Gasoline (all types)	18.2%	27.5%
<b>United States CPI-U</b>	2.7%	3.4%
<b>Los Angeles</b>		
LA CPI-U ALL ITEMS	2.3%	3.9%
Food	0.8%	3.1%
Food Away from Home	1.1%	2.5%
Rent of Primary Residence	3.4%	4.4%
Homeowners' Equivalent Rent	2.9%	3.2%
Fuel & Utilities	0.1%	10.5%
Apparel	-2.4%	0.9%
Transportation	3.3%	5.5%
Gasoline (all types)	15.9%	28.8%
Medical Care	2.9%	3.4%
Recreation	2.3%	4.8%
Education & Communication	1.1%	1.2%
Other Goods & Servs.	7.0%	4.2%
<b>San Francisco</b>		
SF CPI-U ALL ITEMS	4.2%	4.7%
Food	1.7%	1.8%
Food Away from Home	2.6%	2.7%
Rent of Primary Residence	6.9%	7.7%
Homeowners' Equivalent Rent	5.6%	6.3%
Fuel & Utilities	2.3%	8.6%
Apparel	1.5%	-1.6%
Transportation	4.2%	6.7%
Gasoline (all types)	23.2%	25.4%
Medical Care	3.6%	6.4%
Recreation	-2.6%	0.2%
Education & Communication	3.2%	1.6%
Other Goods & Servs.	8.5%	2.7%

## INFLATION

In addition to rising home prices, gasoline and energy costs have accelerated in recent months to push up California's inflation rate. Year-over-year price inflation in California, as measured by the Consumer Price Index for all urban consumers, reached 4.2 percent in October. The inflation rate was 3.0 percent at the end of 1999. In October, gasoline prices dropped in San Francisco and essentially held steady in Los Angeles. But compared to a year ago, motor fuel prices were up 28.8 percent in the Bay Area and 25.4 in the Los Angeles region. In both regions fuel and utility costs are also up sharply over last year.

## TRADE

California continues to prosper from burgeoning exports. Recently released data indicate that exports of made-in-California products maintained a healthy growth rate into the third quarter of 2000. Driven by the high technology sector, the state's exports climbed 22 percent in the third quarter of 2000 over the same period in 1999—following 25 percent year-over-year growth in the second quarter. This growth was led by exports of industrial machinery (including computers), which grew 40 percent. Instruments and electronic equipment also grew considerably. Among the state's leading markets, exports to Mexico, Japan, and South Korea were responsible for the largest year-over-year gains.

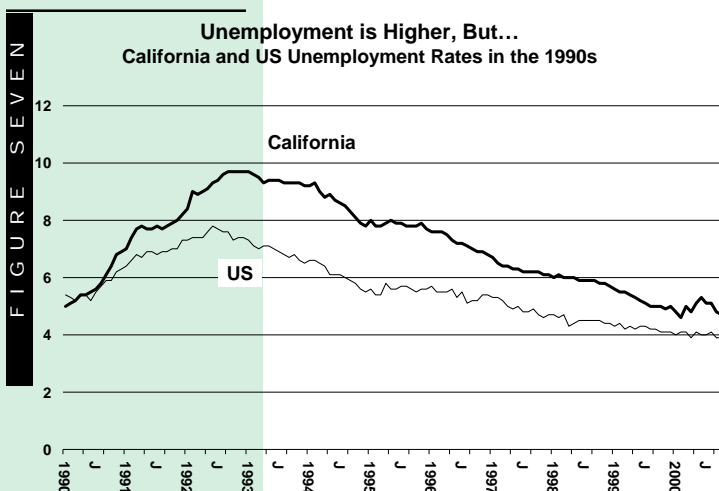


## EXPLORING CALIFORNIA'S EMPLOYMENT SITUATION

### CALIFORNIA VS THE NATION

The rate of unemployment is a closely watched barometer of an economy's condition. A rising rate is generally associated with increasing economic distress. While California's rate is currently the lowest in three decades, it is also higher than the national rate. In fact, the state's rate has consistently exceeded the nation's since the beginning of the 1990s. Other labor data, however, paint a brighter picture of the state's relative economic condition.

The 1990-93 recession hit California harder than the nation. While the nation's unemployment rate peaked in June 1992, the state's didn't begin to decline until February 1993, when it exceeded the national rate by 2.5 percentage points. It took until the beginning of 1996 for the gap to close to less than 2 percentage points. Thereafter, the gap diminished steadily but still averaged nearly a full percentage point over the last 12 months.



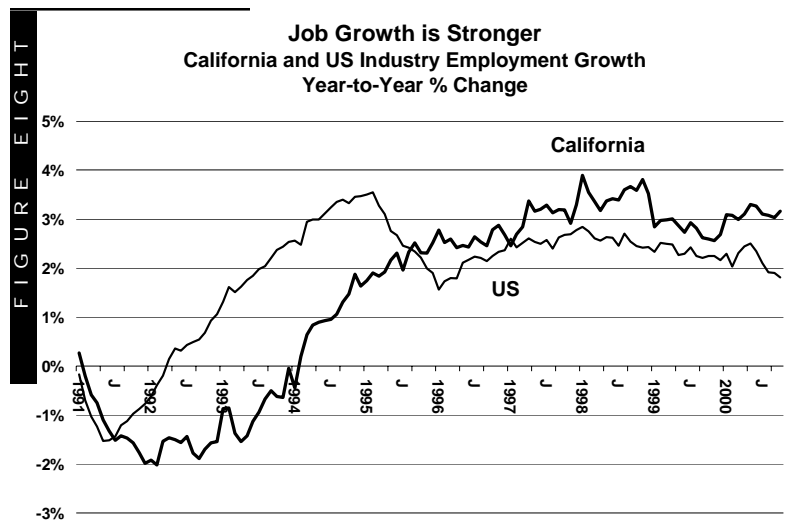
Is this a sign that California's employment situation is worse than the nation's generally? Several factors and comparisons indicate otherwise.

The unemployment rate is a function of the proliferation of employment opportunities relative to the growth of the labor force—which includes all working age adults willing and able to work. The nature of California's workforce, including its growth, age, and makeup has kept the state unemployment rate above the nation's.

## DYNAMIC JOB CREATION

California has been a job creation machine since the mid-1990s. Nearly 2.5 million industry jobs have been created since the state's recession ended in 1993. Since 1995, the state's year-over nonfarm job growth has averaged 3.0 percent compared to 2.3 percent for the nation. This gap widened to a full percentage point in 2000. In fact, while the nation's industry job growth rate has moderated in 2000—from 2.4 to 2.2 percent year-over-year through October—

California's has accelerated—from 2.8 to 3.1 percent. Thus, as the ubiquitous "Help Wanted" signs indicate, the job opportunities facing Californians are expanding faster than the nation as a whole.



## STRONG LABOR FORCE GROWTH

Strong job growth has been counter-balanced by rapid labor force growth. The nation's labor force outside of California peaked near the beginning of 2000 and has since declined by about 600,000. Over the same period, California's labor force expanded by 340,000. Over the last 12 months the state's labor force grew almost five times faster than the nation's—2.9 percent versus 0.6 percent. If California's labor force had grown at the same pace as the rest of the nation during 2000, its unemployment rate would now be more than 2 percentage points lower than it is currently—2.6 percent instead of 4.7 percent.



## A FAST GROWING WORKING AGE POPULATION

Contributing to California's rapid labor force growth is the fact that its working age population is also growing faster than the nation's. California's 18 to 64 year old population is growing significantly faster than the nation as a whole—1.7 percent in 1999 versus 1.2 percent for the nation. After declining below the national rate during the 1990s recession, growth accelerated swiftly and is now running a half of a percentage rate faster than the nation's.

**FIGURE TEN**

**More People of Working Age**  
Year-Year Growth of 18-64 Population

	US	California
1991	0.9%	1.4%
1992	1.0%	1.3%
1993	1.0%	0.5%
1994	1.0%	0.4%
1995	0.9%	0.4%
1996	1.1%	0.6%
1997	1.2%	1.6%
1998	1.1%	1.6%
1999	1.2%	1.7%

Sources:

California Dept. of Finance and  
California Employment Development Dept.

**FIGURE ELEVEN**

**More Immigrants**  
Net International Migration  
1990-1999 - Top Ten States

	Persons
United States	7,478,078
<b>California</b>	<b>2,280,354</b>
New York	1,107,814
Texas	715,420
Florida	640,109
Illinois	384,026
New Jersey	377,830
Massachusetts	147,834
Maryland	131,871
Pennsylvania	114,753
Arizona	106,150

Source: U.S. Census Bureau

## MORE IMMIGRATION

## A YOUNG STATE

Since most foreign immigrants to California come seeking employment, immigration patterns also contribute to California's strong labor force growth. Given the state's proximity to the Pacific Rim and Latin America, it's not surprising that in the 1990s California was the most popular destination for immigrants to the U.S., accounting for 30 percent of the nation's net legal international migration. Net international migration to California was more than double that of the next most popular destination, New York.

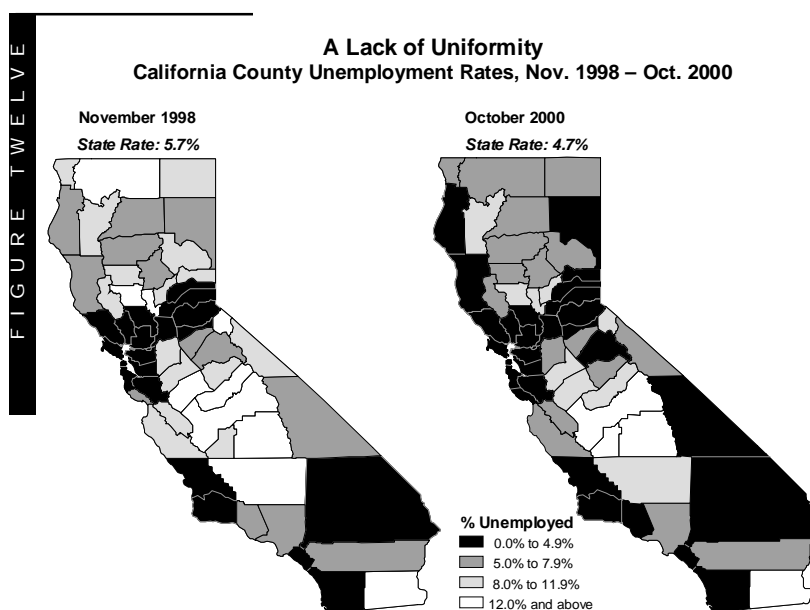
**A**nother factor contributing to California's higher unemployment rate is the age of its workforce. As workers age, their careers stabilize, they build seniority and experience, and are thus less likely to be unemployed. Currently for instance, California's unemployment rate among 16 to 19 year olds is 17.2 percent while it is only 3.9 percent among 25 to 64 year olds. California is younger than the nation. The state's median age—33.6 years—is nearly two years younger than the nation's 35.5 median. Moreover, through the 1990s the state's median age advanced only 2.3 years versus a 2.7 year rise for the nation.

## REGIONAL DISPARITIES

**A** last consideration affecting the current unemployment statistics is the conundrum presented by dramatic regional disparities. There are several instances in California where adjacent regions experience dramatically different unemployment rates. In an open labor market, two regions lying within a short drive of each other should not see dramatically different unemployment rates for very long. However, such a disparity has existed for many years between the San Francisco Bay Area and the San Joaquin Valley. The Bay Area, and especially the southern region including the Silicon Valley, has enjoyed remarkably low unemployment rates for some time. In contrast, just a few miles to the east, the San Joaquin Valley has unemployment rates persistently higher than the state average. There are obviously significant limitations on job and/or worker mobility between these regions.

While accounting for almost 9 percent of the state's labor force, the eight counties that make up the San Joaquin Valley account for about 23 percent of the state's unemployed. While the state as a whole posted a 4.8 percent unemployment rate in November

2000, the San Joaquin's overall rate was 12.6 percent. Put another way, the unemployment rate for California outside of the San Joaquin Valley in October was 3.9 percent—exactly equal to the national rate.



## CONCLUSION

While a higher unemployment rate is usually a sign of less desirable labor conditions, California's strong job growth, its youthful population, its growing workforce, and its attractiveness to international immigrants demonstrate that in most of the state, labor markets are in fact considerably stronger than in the nation as a whole.



# SELECT INDICATORS

## EMPLOYMENT

	2000				1999	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	16,366	16,336	16,264	16,202	15,871	3.1
Unemployment (000)	819	822	824	873	824	-0.6
Unemployment rate	4.8	4.8	4.8	5.1	4.9	--
Nonagricultural wage and salary employment (000)	14,564.2	14,535.0	14,490.0	14,450.7	14,120.9	3.1
Mining	22.9	22.9	23.1	22.9	23.3	-1.7
Construction	753.2	751.4	749.1	741.4	700.2	7.6
Manufacturing	1,928.0	1,923.4	1,920.0	1,922.9	1,922.9	0.3
High technology a/	501.4	499.8	498.8	501.0	506.2	-0.9
Aircraft and parts	74.4	74.5	74.7	75.0	82.3	-9.6
Missiles and space vehicles	19.9	19.8	20.0	20.2	22.2	-10.4
Search and navigation equipment	51.1	50.9	50.7	51.3	52.2	-2.1
Computer and office equipment	91.8	91.8	92.1	93.5	94.9	-3.3
Communications equipment	39.9	39.5	39.2	39.3	39.3	1.5
Electronic components	158.0	157.7	157.0	156.5	152.5	3.6
Measuring and controlling devices	66.3	65.6	65.1	65.2	62.8	5.6
Transportation and public utilities	755.1	753.5	750.2	750.8	728.1	3.7
Trade	3,302.4	3,298.9	3,290.6	3,286.5	3,217.7	2.6
Finance, insurance and real estate	840.3	838.3	836.2	834.8	825.5	1.8
Services	4,631.7	4,624.3	4,599.3	4,576.1	4,446.6	4.2
Government	2,330.6	2,322.3	2,321.5	2,315.3	2,256.6	3.3

## HOURS & EARNINGS

<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	41.9	42.0	41.9	41.6	41.9	0.0
Average weekly earnings	\$603.36	\$603.12	\$602.52	\$594.05	\$588.28	2.6
Average hourly earnings	\$14.40	\$14.36	\$14.38	\$14.28	\$14.04	2.6

## CONSUMER PRICES

<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	n.a.	177.3	n.a.	175.6	n.a.	--
San Francisco CMSA	n.a.	183.4	n.a.	181.7	n.a.	--
Los Angeles CMSA	173.5	173.8	173.3	172.2	167.1	3.8
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	170.5	n.a.	168.9	n.a.	--
San Francisco CMSA	n.a.	179.3	n.a.	177.8	n.a.	--
Los Angeles CMSA	166.6	166.9	166.3	165.3	160.6	3.7

## CONSTRUCTION

	2000				1999	Yr-Over-Yr
	Oct	Sep	Aug	Jul	Oct	% Change
CONSTRUCTION						
Private residential housing units authorized (000)	132.6	133.1	140.7	127.2	128.0	3.6
Single units	108.3	99.3	102.8	95.8	91.1	19.0
Multiple units	24.2	33.8	37.9	31.4	36.9	-34.4
Residential building authorized valuation (millions) c/	\$2,212	\$2,118	\$2,363	\$1,888	\$1,944	13.8
Nonresidential building authorized valuation (millions) c/	\$1,302	\$1,596	\$1,802	\$1,358	\$1,316	-1.1
Nonresidential building authorized valuation (millions) d/	\$1,431	\$1,761	\$1,817	\$1,503	\$1,441	-0.6
Commercial	454	718	712	543	456	-0.6
Industrial	158	245	203	172	191	-17.3
Other	200	220	181	166	260	-23.3
Alterations and additions	620	578	721	623	533	16.3

## AUTO SALES

<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	149,131	146,097	158,070	139,680	137,301	8.6

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

# SELECT INDICATORS (CONTINUED)

## VACANCY RATES

### Vacancy Rates for Third Quarter 2000 (Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	n.a.	n.a.	n.a.	n.a.
Oakland-East Bay	2.4	1.9	2.6	--
Sacramento	6.6	5.0	7.1	12.3
San Francisco	1.9	1.8	2.0	4.7
San Jose	1.1	1.2	1.0	--
Southern California:				
Bakersfield	n.a.	n.a.	n.a.	--
Los Angeles Metro	11.1	16.4	9.9	7.8
Orange County	9.4	--	9.4	--
San Diego	5.4	8.5	4.6	6.0
Ventura County	11.1	--	11.1	--
National Average	7.7	6.2	8.6	7.7

## HOME PRICES

### Median Price of Existing Single-Family Homes

1999				2000			
Jan	\$202,201	Jul	220,529	Jan	\$233,947	Jul	243,243
Feb	197,870	Aug	224,195	Feb	230,519	Aug	255,582
Mar	212,330	Sep	220,330	Mar	238,871	Sep	247,360
Apr	216,490	Oct	219,136	Apr	240,953	Oct	252,510
May	220,410	Nov	221,887	May	240,908	Nov	251,760
Jun	224,678	Dec	221,499	Jun	244,000		

n.a. Data not available at time of publication.

# LEADING INDICATORS/A

		Overtime	Manufacturing	Unemployment	New	Housing Unit
		Hours	Average	Insurance	Business	Authorizations
			Weekly Hours	Initial Claims	Incorporations	(Thousands)
1997	Jan	4.7	41.4	66,020	4,712	92.9
	Feb	4.8	41.8	56,117	4,358	124.2
	Mar	5.1	42.1	58,765	3,571	94.5
	Apr	5.0	41.9	60,178	3,908	103.3
	May	5.0	41.8	59,332	4,500	108.8
	Jun	4.9	41.7	63,601	4,383	108.7
	Jul	4.9	41.8	61,923	4,750	114.1
	Aug	5.1	42.0	63,215	4,236	114.0
	Sep	5.0	42.1	64,015	4,742	118.2
	Oct	5.0	42.0	61,550	4,745	131.4
	Nov	5.0	42.2	57,984	4,439	115.4
	Dec	5.1	42.2	59,066	4,824	109.3
1998	Jan	5.1	42.0	56,203	4,716	113.1
	Feb	5.0	41.9	59,940	4,559	116.2
	Mar	4.9	41.8	58,820	4,598	119.1
	Apr	4.5	41.1	58,157	5,009	116.1
	May	4.7	41.8	58,924	4,540	119.5
	Jun	4.8	41.9	54,258	4,718	148.3
	Jul	4.8	42.0	54,260	4,845	120.1
	Aug	4.6	41.8	52,863	4,405	135.8
	Sep	4.5	41.6	50,654	3,722	121.9
	Oct	4.7	41.8	53,019	4,722	132.8
	Nov	4.6	41.7	54,254	4,778	136.9
	Dec	4.6	41.8	54,316	4,605	129.5
1999	Jan	4.6	42.0	51,980	4,942	151.2
	Feb	4.7	41.9	52,386	5,047	140.4
	Mar	4.7	41.9	53,251	6,016	139.1
	Apr	4.7	41.9	53,415	5,011	138.4
	May	4.8	41.9	50,463	5,364	137.7
	Jun	4.7	41.9	51,412	5,528	150.1
	Jul	4.6	41.8	51,272	5,300	143.0
	Aug	4.6	41.6	51,151	5,890	136.8
	Sep	4.6	41.5	49,985	5,781	127.0
	Oct	4.8	41.6	49,621	5,685	128.0
	Nov	4.8	41.5	51,198	6,098	143.7
	Dec	4.8	41.5	45,432	6,470	145.2
2000	Jan	4.9	41.4	50,599	6,530	169.3
	Feb	4.9	41.3	48,720	6,769	160.0
	Mar	4.9	41.3	47,543	8,319	159.2
	Apr	5.2	41.9	45,925	7,465	136.3
	May	5.0	41.5	47,972	6,824	129.7
	Jun	5.1	41.7	49,091	7,218	188.5
	Jul	5.1	41.6	48,595	7,149	127.2
	Aug	4.9	41.6	47,998	7,240	140.7
	Sep	5.0	42.0	47,351	7,027	133.1
	Oct	5.2	41.8	49,757	7,334	132.6
	Nov	4.8	41.5	47,904	7,735	n.a.

a/ Seasonally adjusted by the California Department of Finance.  
n.a. Not available



# COINCIDENT INDICATORS/^

EMPLOYMENT,  
UNEMPLOYMENT

INCOME, WAGES,  
TAXABLE SALES

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	444
	Feb	12,968	1,887	6.5	410
	Mar	13,017	1,895	6.4	374
	Apr	13,080	1,899	6.4	397
	May	13,096	1,905	6.3	367
	Jun	13,129	1,913	6.3	379
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	374
	Sep	13,220	1,927	6.2	382
	Oct	13,253	1,933	6.2	386
	Nov	13,263	1,942	6.1	374
	Dec	13,332	1,952	6.1	401
1998	Jan	13,405	1,954	6.0	337
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	364
	Apr	13,495	1,960	6.0	366
	May	13,537	1,965	6.0	356
	Jun	13,578	1,962	5.9	352
	Jul	13,604	1,946	5.9	351
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	5.9	354
	Oct	13,728	1,944	5.8	334
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.7	371
1999	Jan	13,786	1,925	5.6	356
	Feb	13,827	1,923	5.5	366
	Mar	13,856	1,924	5.5	369
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.3	377
	Jun	13,948	1,923	5.2	376
	Jul	14,002	1,922	5.1	350
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	364
	Oct	14,084	1,924	5.0	344
	Nov	14,121	1,923	4.9	348
	Dec	14,171	1,925	5.0	341
2000	Jan	14,212	1,921	4.8	357
	Feb	14,253	1,922	4.6	345
	Mar	14,270	1,920	5.0	345
	Apr	14,331	1,924	4.8	335
	May	14,384	1,925	5.1	333
	Jun	14,404	1,926	5.3	333
	Jul	14,436	1,921	5.1	334
	Aug	14,465	1,923	5.1	343
	Sep	14,490	1,920	4.8	314
	Oct	14,535	1,923	4.8	332
	Nov	14,564	1,928	4.8	348

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	756,093	85,169	72,555
	Qtr II	770,213	86,494	74,894
	Qtr III	777,974	87,800	76,045
	Qtr IV	781,601	88,764	76,863
1996	Qtr I	801,895	93,871	78,937
	Qtr II	806,756	91,200	80,116
	Qtr III	811,252	90,351	80,398
	Qtr IV	829,714	94,874	81,145
1997	Qtr I	841,316	100,333	82,866
	Qtr II	852,798	102,251	84,167
	Qtr III	869,311	104,352	85,968
	Qtr IV	885,034	105,143	87,444
1998	Qtr I	901,547	108,286	87,246
	Qtr II	914,431	111,341	89,126
	Qtr III	929,394	112,827	90,733
	Qtr IV	951,641	117,286	91,120
1999	Qtr I	954,565	117,047	93,739
	Qtr II	976,823	121,074	97,146
	Qtr III	1,002,894	127,493	99,747
	Qtr IV	1,031,245	131,080	103,096
2000	Qtr I	1,090,850	147,778	107,393
	Qtr II	1,085,707	141,268	108,739

OTHER  
INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1990-91	24,265	19.5	1999		2000	
1982-83	26,387	22.2	1991-92	23,843	21.2	Jan	23,484	Jan	27,067
1983-84	28,520	23.0	1992-93	22,952	20.1	Feb	23,751	Feb	27,883
1984-85	29,115	20.8	1993-94	22,573	20.5	Mar	26,988	Mar	31,957
1985-86	27,738	20.4	1994-95	18,277	16.8	Apr	25,670	Apr	31,128
1986-87	24,515	18.4	1995-96	18,230	16.7	May	25,717	May	30,898
1987-88	23,458	18.7	1996-97	18,477	17.3	Jun	27,897	Jun	33,650
1988-89	23,125	19.3	1997-98	17,401	15.9	Jul	27,901	Jul	33,222
1989-90	22,312	18.4	1998-99	17,372	15.1	Aug	28,956	Aug	35,781
						Sep	29,764	Sep	35,250
						Oct	30,408		
						Nov	30,131		
						Dec	30,252		

a/ U.S. fiscal year: October through September

TECHNICAL  
NOTE

**S**eries classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

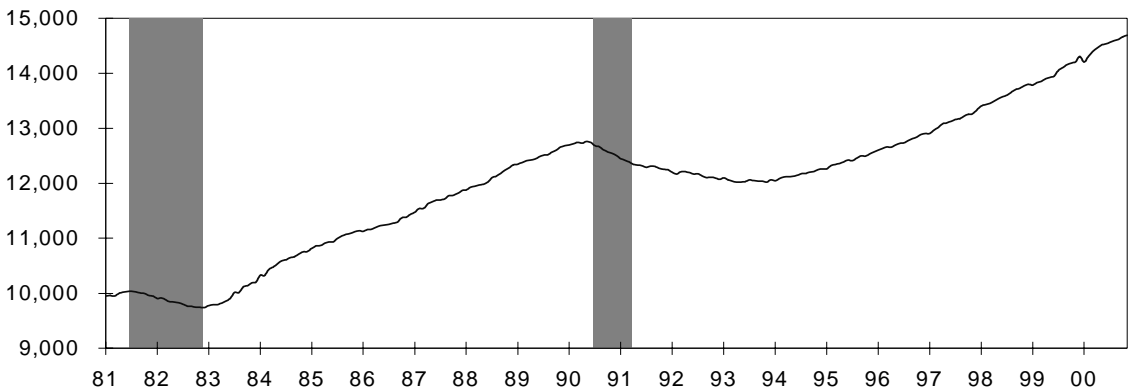
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

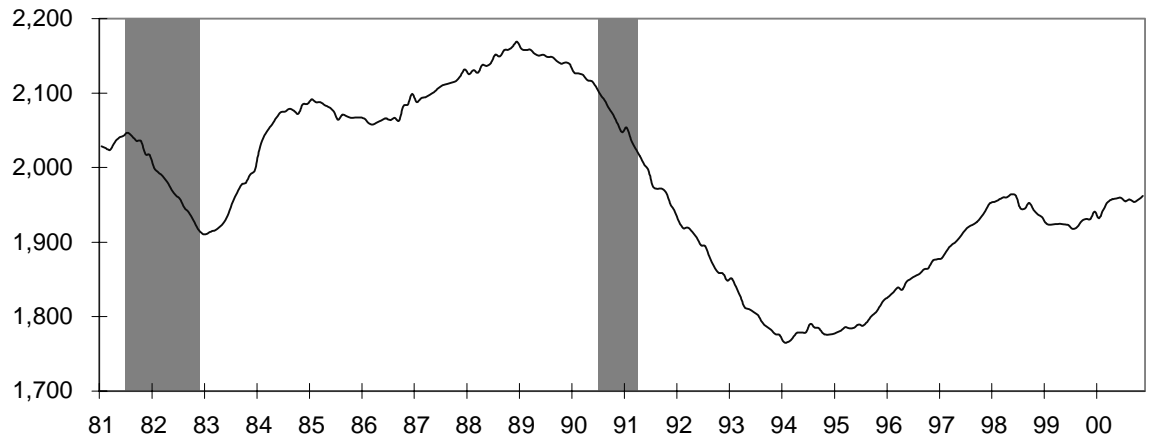
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

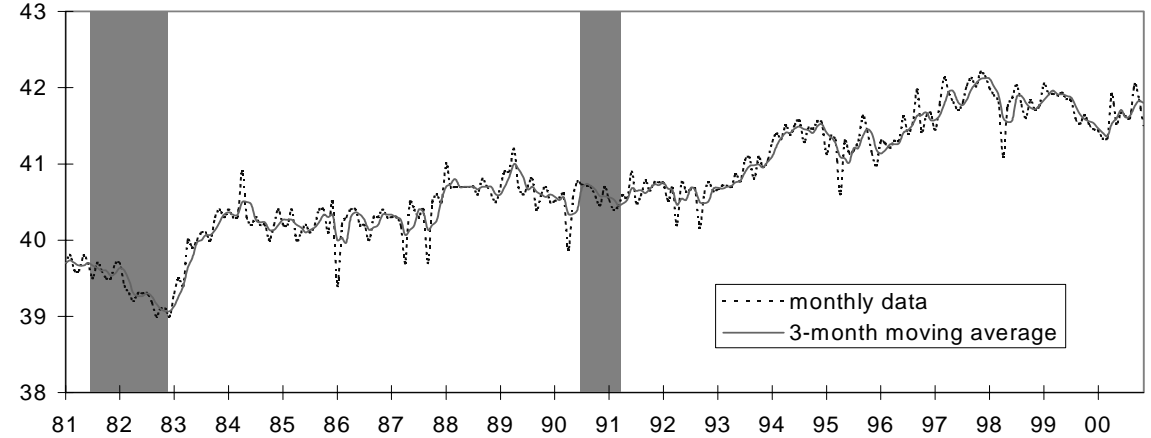
NONAGRICULTURAL  
EMPLOYMENT  
(THOUSANDS,  
SEASONALLY ADJUSTED)



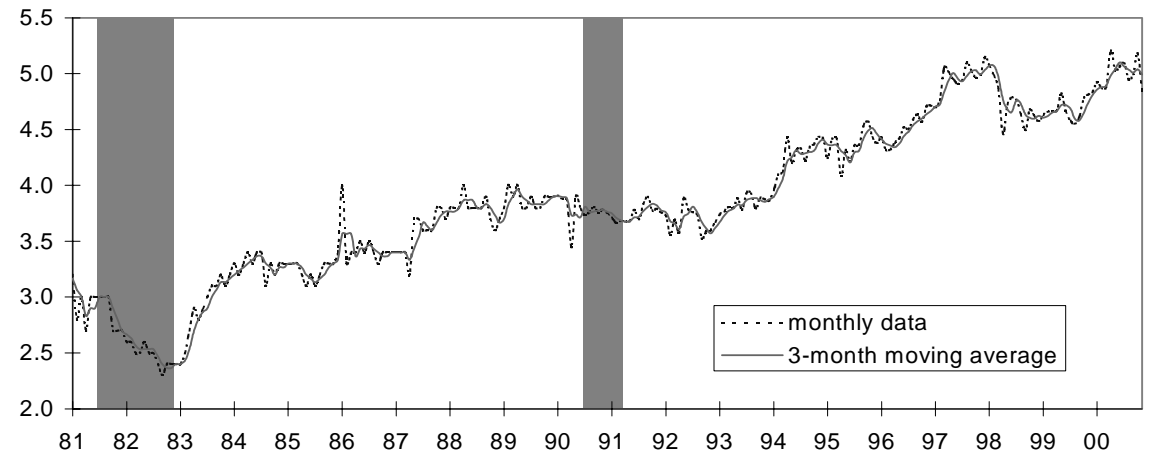
# MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



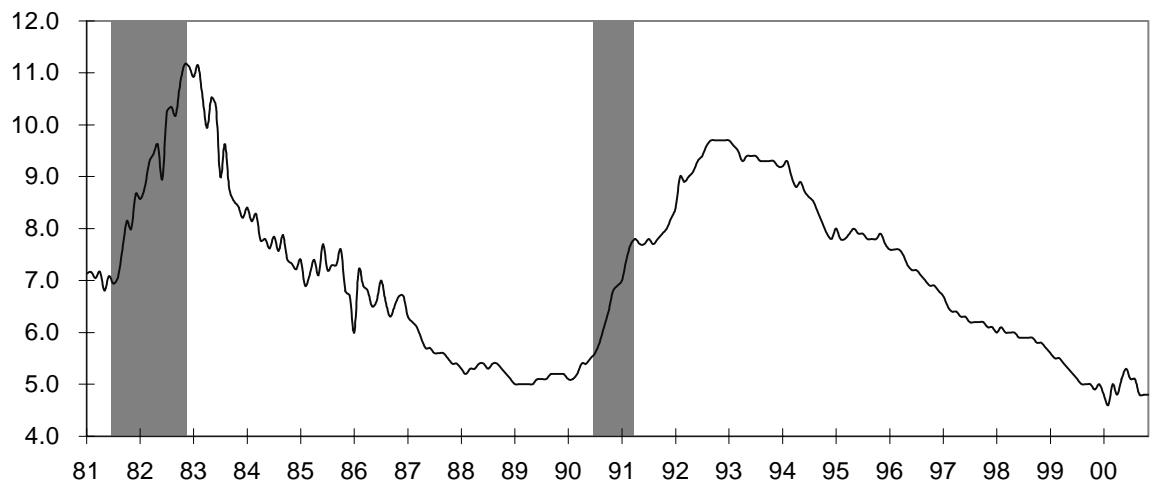
# AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



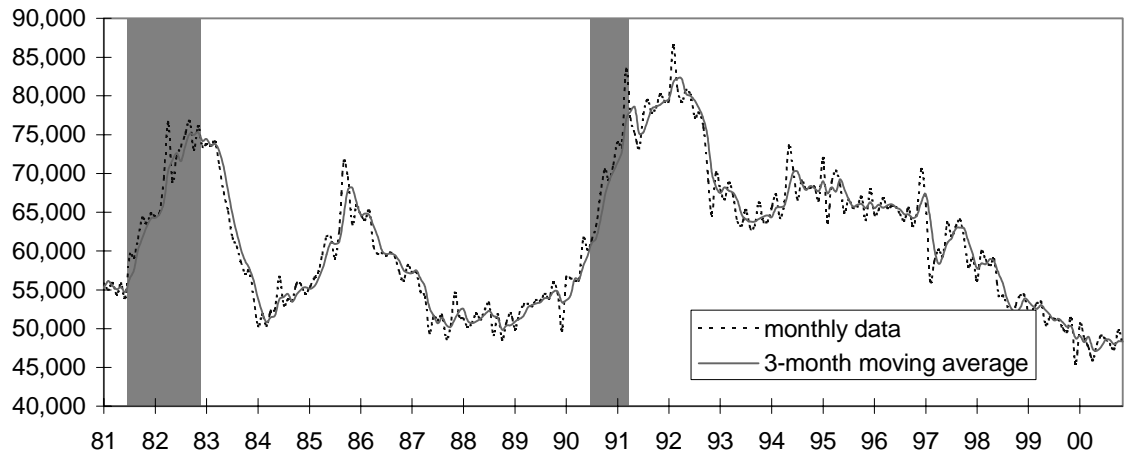
# AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



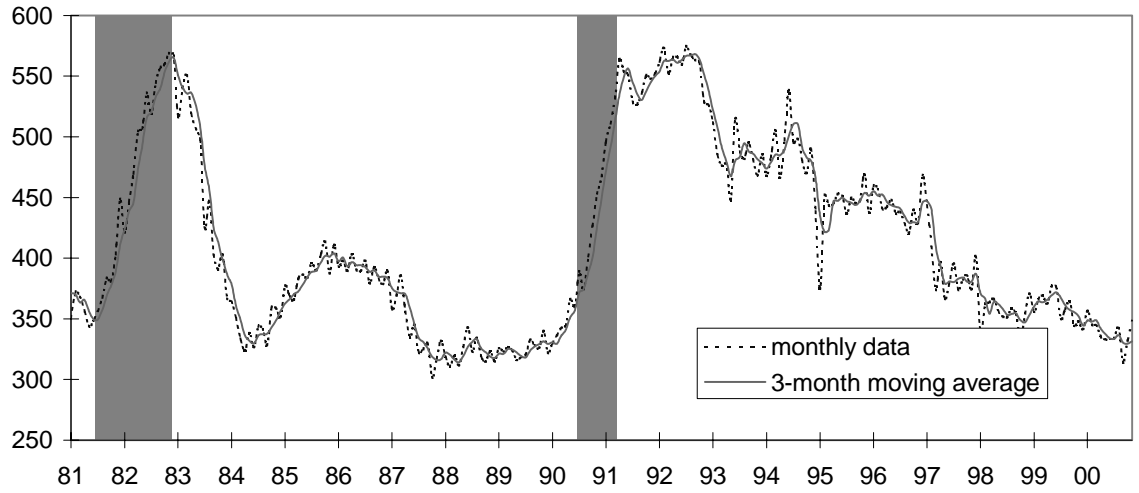
# UNEMPLOYMENT RATE (PERCENT)



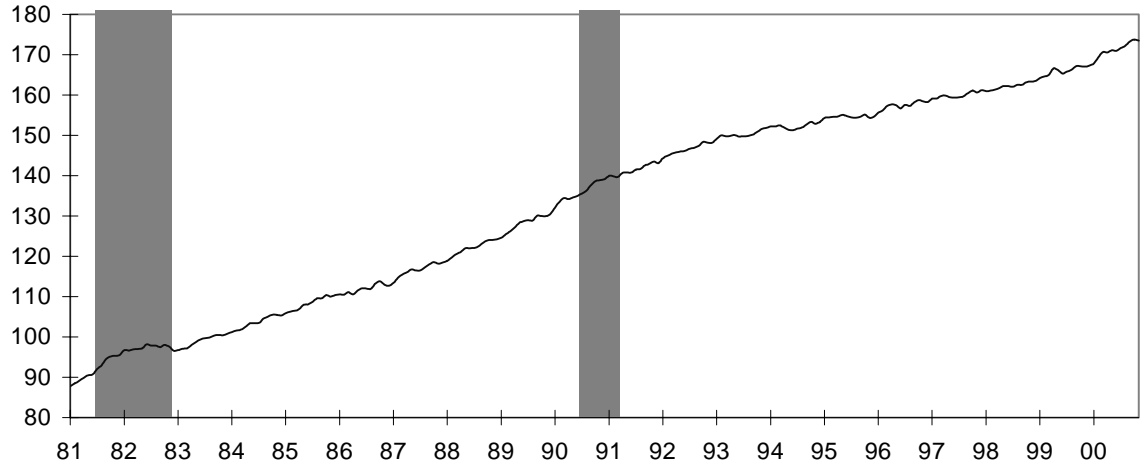
**INITIAL &  
TRANSITIONAL CLAIMS  
FOR UNEMPLOYMENT  
INSURANCE**  
(WEEKLY AVERAGE,  
SEASONALLY ADJUSTED)



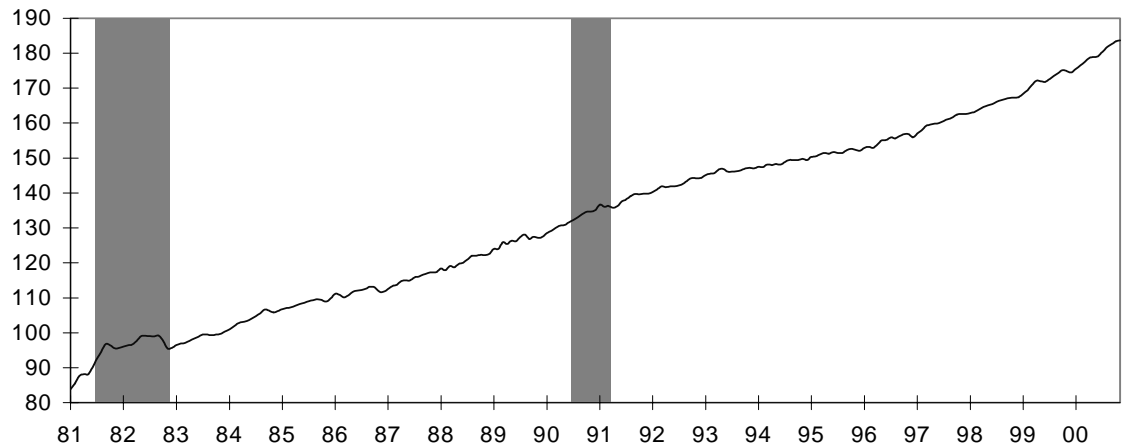
**UNEMPLOYMENT,  
AVERAGE WEEKS  
CLAIMED**  
(THOUSANDS, SEASONALLY  
ADJUSTED)



**CONSUMER PRICE  
INDEX, LOS ANGELES**  
(1982-84=100)



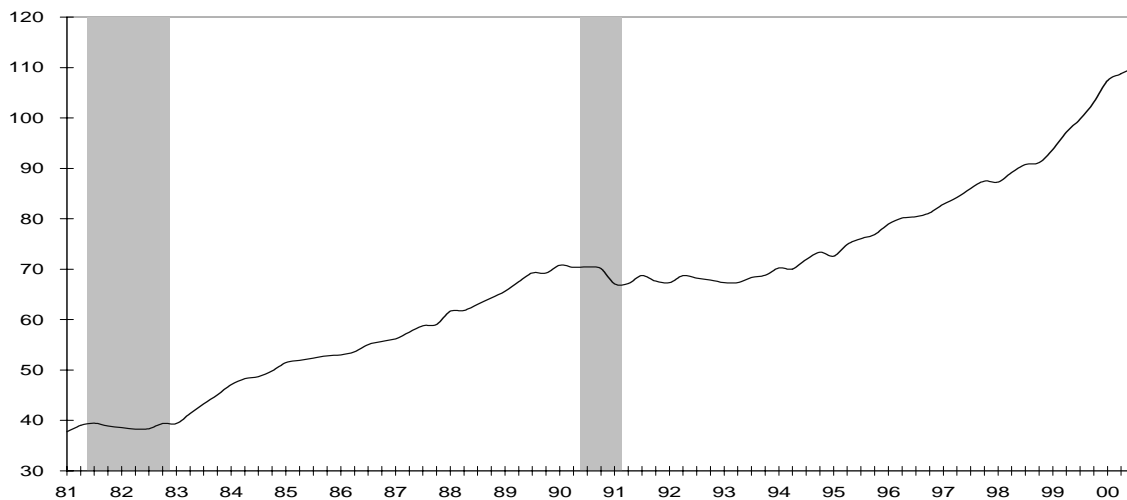
**CONSUMER PRICE  
INDEX,  
SAN FRANCISCO**  
(1982-84=100)



## TAXABLE SALES

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

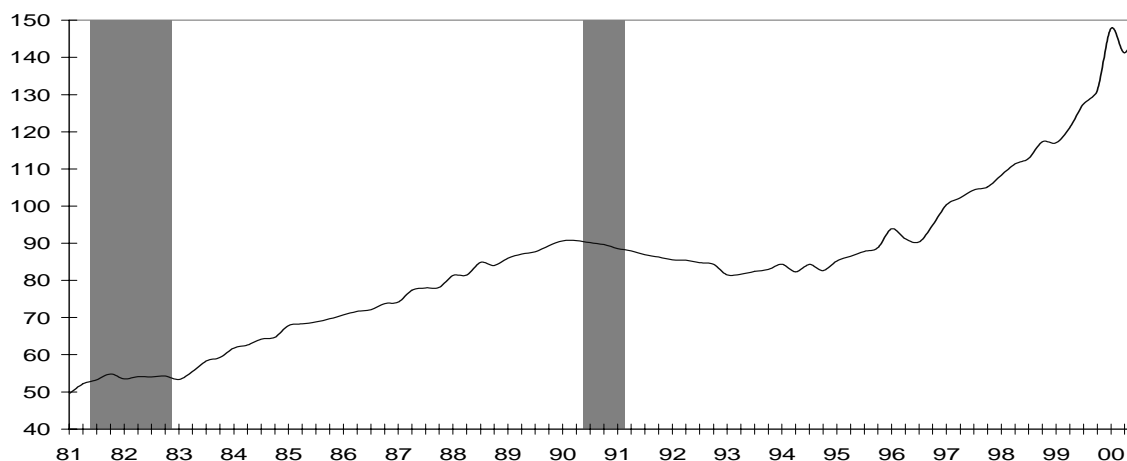
— . . . —



## WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

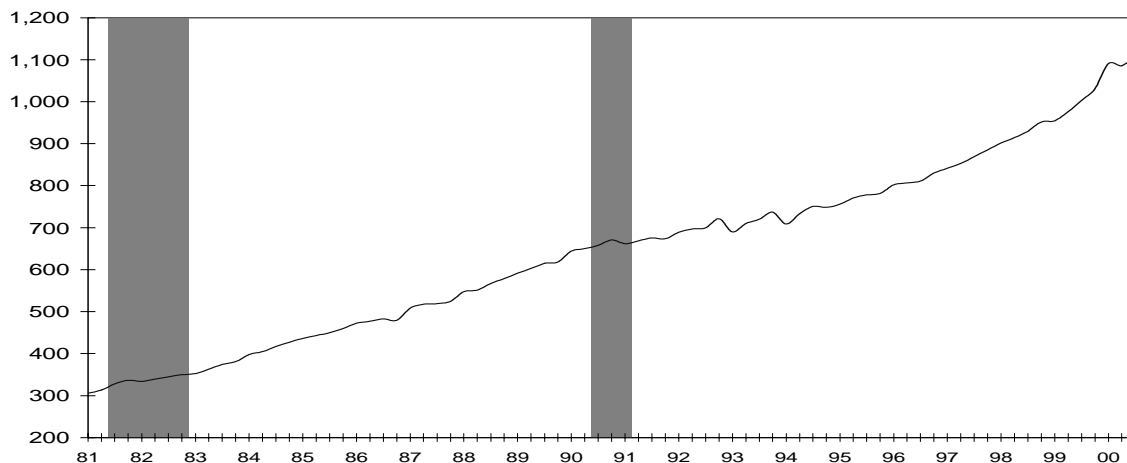
— . . . —



## PERSONAL INCOME

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

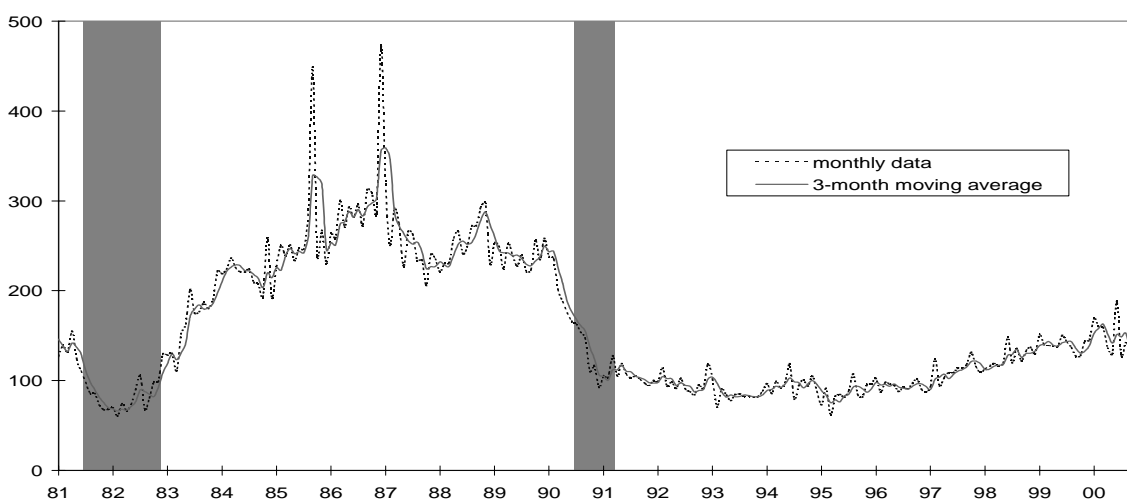
— . . . —



## NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

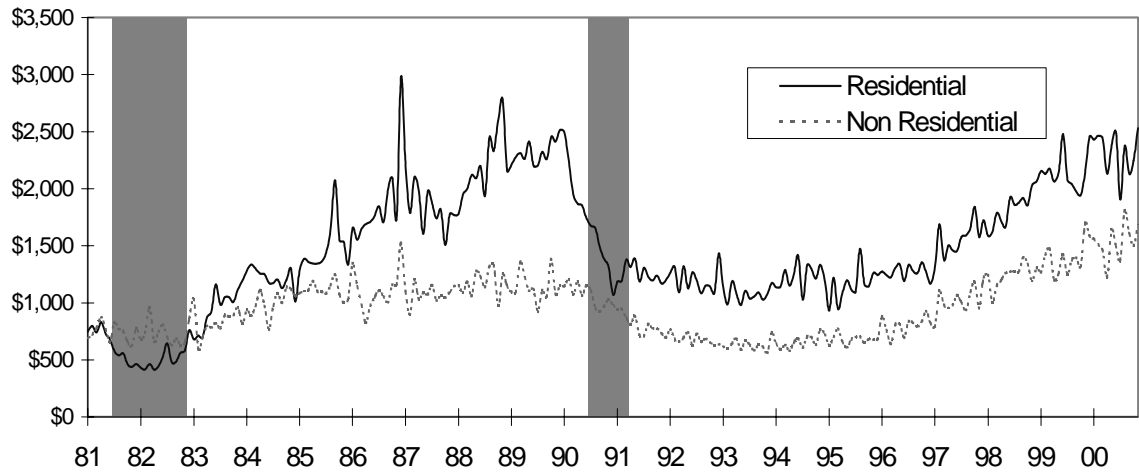
(THOUSANDS, SEASONALLY  
ADJUSTED AT ANNUAL RATE)

— . . . —

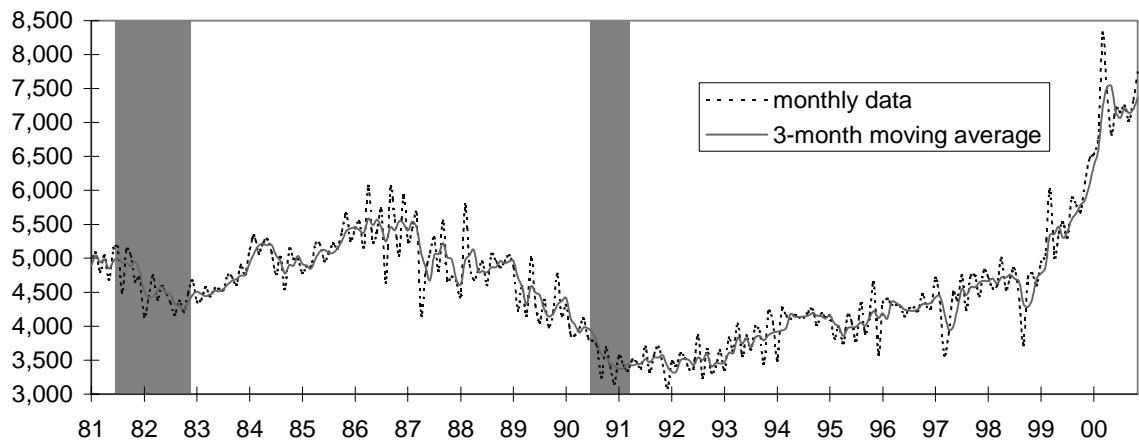


## RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



## NEW BUSINESS INCORPORATIONS (SEASONALLY ADJUSTED)



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

### 1999

January 1

A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.

January 13

Brazil devalues its currency sending U.S. stocks into a free fall.

January 21

The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.

March 22

OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.

March 29

Dow Jones Industrial average topped the 10,000 mark.

April 9

The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.

June 29

Federal funds rate raised from 4.75 to 5.00 percent.

July 28

GDP rose 2.3 percent in second quarter.

August 24

Federal funds rate raised from 5.00 to 5.25 percent.

Discount rate raised from 4.50 to 4.75 percent.

September 21

A 7.6 magnitude earthquake hits Taiwan.



<b>September 30</b>	In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.
<b>September 30</b>	Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.
<b>October 4</b>	MCI WorldCom to buy Sprint.
<b>October 13</b>	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
<b>October 15</b>	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.
<b>October 27</b>	GDP for third quarter grew at 4.8 percent, 2 <sup>nd</sup> quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.
<b>November 1</b>	Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20 <sup>th</sup> century.
<b>November 2</b>	Nasdaq closed above the 3000 mark for the first time. Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.
<b>November 16</b>	Federal funds rate raised from 5.25 to 5.50 percent. Discount rate raised from 4.75 to 5.00 percent.
<b>November 17</b>	Crude-oil futures hit an almost nine-year high, rising 90 cents to \$26.60 a barrel.
<b>November 24</b>	Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.
<b>November 30</b>	Exxon and Mobil merger approved by federal regulators.
<b>December 2</b>	The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.
<b>December 17</b>	Pharmacia and Monsanto agreed to merge.
<b>December 22</b>	Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.
<b>December 29</b>	Nasdaq closed above the 4000 mark for the first time.
<b>2000</b>	
<b>January 27</b>	Fourth quarter GDP grew at an annual rate of 5.8 percent.
<b>February 2</b>	Federal funds rate raised from 5.50 percent to 5.75 percent. Discount rate raised from 5.00 percent to 5.25 percent.
<b>February 4</b>	The nation's jobless rate at 4 percent is lowest in 3 decades.
<b>February 7</b>	Pfizer Inc. and Warner-Lambert Co complete merger deal.
<b>March 20</b>	Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history. Crude oil prices drop below \$30 a barrel.
<b>March 21</b>	Federal funds rate raised from 5.75 percent to 6.0 percent. Discount rate raised from 5.25 percent to 5.50 percent.
<b>March 30</b>	GDP growth rate for 4 <sup>th</sup> quarter was revised upward to 7.3 percent, its strongest pace since 1984.
<b>April 7</b>	President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.
<b>April 10</b>	Wells Fargo & Co agreed to acquire First Security Corporation of Utah.
<b>April 27</b>	First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years. Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.
<b>May 16</b>	Federal funds rate raised from 6.0 percent to 6.5 percent. Discount rate raised from 5.5 percent to 6.0 percent.
<b>June 29</b>	GDP 1 <sup>st</sup> quarter growth rate revised from 5.4 to 5.5 percent.

CALIFORNIA  
DEPARTMENT  
OF FINANCE

915 - L STREET  
EIGHTH FLOOR  
SACRAMENTO, CA  
95814

TO

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

MAIL SUBSCRIPTION REQUEST  
AND PREPAYMENT  
(NO BILLING AVAILABLE) TO:  
CA DEPARTMENT OF FINANCE  
P.O. Box 151  
SACRAMENTO, CA 95801

YOU CAN OBTAIN THE  
CALIFORNIA ECONOMIC  
INDICATORS,  
AND OTHER  
DEPARTMENT OF  
FINANCE PUBLICATIONS  
ON THE INTERNET AT  
WWW.DOF.CA.GOV

**July 28**

GDP 2<sup>nd</sup> quarter grew at an annual rate of 5.2 percent.

**August -**

World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.

**September 19**

China was granted permanent normal trade relations status with the U.S.

**September 28**

GDP growth rate for 2<sup>nd</sup> quarter was revised to 5.6 percent.

**October 18**

Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.

**October 31**

OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.

**December 21**

GDP for 3<sup>rd</sup> quarter grew at an annual rate of 2.2 percent.